Summary:
Richmond Joint Powers Financing Authority, California
Richmond; Appropriations; General Obligation; Insured Liquidity

Primary Credit Analyst:
Le T Quach, New York (1) 212-438-5544; le_quach@standardandpoors.com

Secondary Credit Analyst:
Paul Dyson, San Francisco (1) 415-371-5079; paul_dyson@standardandpoors.com

Table Of Contents
Rationale
Outlook
Related Research
Summary:
Richmond Joint Powers Financing Authority, California
Richmond; Appropriations; General Obligation; Insured Liquidity

Credit Profile

<table>
<thead>
<tr>
<th></th>
<th>US$84.39 mil Ise rev Rfndg bnds (Richmond) (Civic Ctr) ser 2009 due 08/01/2037</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long Term Rating</td>
<td>A/Stable</td>
</tr>
<tr>
<td></td>
<td>New</td>
</tr>
<tr>
<td>Richmond ICR</td>
<td></td>
</tr>
<tr>
<td>Long Term Rating</td>
<td>A+/Stable</td>
</tr>
<tr>
<td></td>
<td>Affirmed</td>
</tr>
</tbody>
</table>

Richmond Jt Pwrs Fin Auth, California
Richmond, California
Richmond Jt Pwrs Fin Auth Ise rev bnds rfdg (Civic Ctr Fincg) ser 2007

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Long Term Rating</td>
<td>A/NR/Stable</td>
</tr>
<tr>
<td>Unenhanced Rating</td>
<td>A(SPUR)/Stable</td>
</tr>
<tr>
<td></td>
<td>Affirmed</td>
</tr>
<tr>
<td>Richmond Jt Pwrs Fin Auth (Richmond) Ise rev bnds (Point Potrero) ser 2009A</td>
<td></td>
</tr>
<tr>
<td>Long Term Rating</td>
<td>A/Stable</td>
</tr>
<tr>
<td></td>
<td>Affirmed</td>
</tr>
<tr>
<td>Richmond Jt Pwrs Fin Auth (Richmond) taxable Ise rev bnds (Point Potrero) ser 2009B</td>
<td></td>
</tr>
<tr>
<td>Long Term Rating</td>
<td>A/Stable</td>
</tr>
<tr>
<td></td>
<td>Affirmed</td>
</tr>
</tbody>
</table>

Many issues are enhanced by bond insurance.

Rationale

Standard & Poor’s Ratings Services assigned an 'A' long-term rating to Richmond Joint Powers Financing Authority, Calif.’s Civic Center Project refunding lease revenue bonds, series 2009 issued on behalf of the city of Richmond. At the same time, Standard & Poor’s affirmed the city's 'A+' issuer credit rating and 'A' underlying rating on its outstanding lease revenue bonds.

The ratings reflect our opinion of the city’s:

- General creditworthiness as lessee; and
- Lease structure, which includes a covenant to budget and appropriate annual lease payments.

Lease payments from the city to the Richmond Joint Powers Financing Authority for use of the civic center building secure the bonds. The city may abate lease payments in the event of damage to or destruction of the leased assets. To mitigate the risk of abatement in such a case, the city agrees under the facility lease agreement, to maintain rental interruption insurance sufficient to pay rent for at least two years. The indenture for the bonds also includes a debt service reserve funded at the lesser of 10% of principal, 125% annual debt service, or maximum annual debt service. We understand that bond proceeds will be used to refund the city’s outstanding series 2007 lease revenue bonds.

The ratings also reflect our opinion of the city’s:
• Significant local job base, as well as access to broad employment opportunities throughout the Bay Area;
• Consistently very strong reserve levels despite a one-time drawdown in fiscal 2008;
• Demonstrated ability to adjust its expenditures to offset revenue declines following state funding shortfalls and an economic downturn; and
• Strong financial management policies.

Offsetting credit factors include our opinion of the city's:

• Moderately concentrated tax base, with the 10 leading taxpayers representing 36% of fiscal 2010 assessed value (AV), and the largest taxpayer, a refinery run by Chevron USA, representing 27% of AV;
• Declining AV with a 16% decline for fiscal 2010; and
• High debt burden at $6,798 per capita or a more moderate 6% of AV.

Richmond (population 103,156) is located on the northeastern shore of the San Francisco Bay in Contra Costa County, about 16 miles northeast of downtown San Francisco. The city is an important oil refining, industrial and commercial, transportation, shipping, and government center, and includes a multiterminal shipping port on San Francisco Bay. Residents benefit from Richmond's proximity to job centers in Oakland, San Francisco, and throughout the Bay Area. In addition, local employment opportunities include the port and related transportation industries and Chevron's oil refinery, research, and chemical businesses. We consider income indicators to be adequate to good, with median household and per capita effective buying income at 106% and 89% of the U.S. averages, respectively in 2008. The city unemployment rate has historically tracked above state and national averages, and stood at 17.9% (seasonally unadjusted) for September 2009.

AV declined 16% in fiscal 2010 to $11.7 billion following a 0.2% decrease in fiscal 2009 and a 13% increase in fiscal 2008. According to DQNews, Richmond's median home sale price as of August 2009 was about $140,000, down approximately 21% from the prior year. In our opinion, the city's tax base is moderately concentrated, with the 10 leading taxpayers representing 36% of fiscal 2010 AV. Chevron USA is by far the largest taxpayer, making up about 27% of secured AV.

For fiscal 2009, unaudited results show a $2.1 million general fund surplus on a $129 million operating budget following a series of expenditure reductions including a hiring freeze and the elimination of several vacant positions. Its unreserved general fund balance is estimated to remain, in our view, a very strong 19% of budgeted expenditures ($24 million). Management reports that the city will fully offset the state's borrowing of $3.6 million in property tax collections under Proposition 1A through a pooled property tax securitization program in January. The city revised its fiscal 2010 budget this month to reflect the decline in property taxes related to its AV decline as well as an additional $4 million in departmental cuts. The city projects it will end fiscal 2010 with balanced general fund operations.

In our view, after experiencing significant financial and operating difficulties in fiscals 2002 through 2004, the city has continued to make substantial progress with building up its reserve levels, collecting receivables, and restoring services from substantially reduced levels. The city finished fiscal 2008 with a $15.5 million general fund deficit after transfers, which reduced its total general fund balance to $46.4 million. The unreserved portion equaled $19.4 million, or what we consider a still strong 15% of general fund expenditures. Management reports that the deficit was largely due to one-time spending related to the relocation of its police department as well as higher than projected police overtime costs, and some ongoing costs related to restoring its safety, cultural, and recreational
Richmond's financial management is considered "strong" under Standard & Poor's Financial Management Assessment (FMA) methodology. Under our framework, an FMA of strong indicates our view that practices are strong, well embedded, and likely sustainable.

In our opinion, the city's overall debt burden is currently a high $6,798 per capita and a moderate 6% of fiscal 2010 AV. However, we understand that the city has no near-term plans for additional debt. Management reports that it plans to keep the city's original swap (related to its series 2007 issuance) in place, but will likely enter into a new fixed receiver swap overlay with Royal Bank of Canada ('AA-'/stable) under the current proposed refunding. Under the original swap, the city receives 68% of LIBOR and pays a fixed rate of 3.657%. Under the proposed fixed receiver swap structure, the city will receive a fixed rate of 3.15% with a swap term of 27 years.

**Outlook**

The stable outlook reflects our expectation that Richmond will maintain at least balanced general fund operations through a period of softening sales and property tax revenues. The outlook also takes into account our view of the city's build up of a very strong financial position as well as its role as a regional job center, with access to employment throughout the Bay Area.

**Related Research**


Complete ratings information is available to RatingsDirect subscribers at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com; under Ratings in the left navigation bar, select Find a Rating.
Any Passwords/user IDs issued by S&P to users are single user-dedicated and may ONLY be used by the individual to whom they have been assigned. No sharing of passwords/user IDs and no simultaneous access via the same password/user ID is permitted. To reprint, translate, or use the data or information other than as provided herein, contact Client Services, 55 Water Street, New York, NY 10041; (1)212.438.7280 or by e-mail to: research_request@standardandpoors.com.

Copyright © 1994-2009 by Standard & Poors Financial Services LLC (S&P), a subsidiary of The McGraw-Hill Companies, Inc. All rights reserved. No part of this information may be reproduced or distributed in any form or by any means, or stored in a database or retrieval system, without the prior written permission of S&P. S&P, its affiliates, and/or their third-party providers have exclusive proprietary rights in the information, including ratings, credit-related analyses and data, provided herein. This information shall not be used for any unlawful or unauthorized purposes. Neither S&P, nor its affiliates, nor their third-party providers guarantee the accuracy, completeness, timeliness or availability of any information. S&P, its affiliates or their third-party providers and their directors, officers, shareholders, employees or agents are not responsible for any errors or omissions, regardless of the cause, or for the results obtained from the use of such information. S&P, ITS AFFILIATES AND THEIR THIRD-PARTY PROVIDERS DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall S&P, its affiliates or their third-party providers and their directors, officers, shareholders, employees or agents be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of the information contained herein even if advised of the possibility of such damages.

The ratings and credit-related analyses of S&P and its affiliates and the observations contained herein are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or make any investment decisions. S&P assumes no obligation to update any information following publication. Users of the information contained herein should not rely on any of it in making any investment decision. S&P’s opinions and analyses do not address the suitability of any security. S&P does not act as a fiduciary or an investment advisor. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of each of these activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P’s Ratings Services business may receive compensation for its ratings and credit-related analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P’s public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge) and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

Any Passwords/user IDs issued by S&P to users are single user-dedicated and may ONLY be used by the individual to whom they have been assigned. No sharing of passwords/user IDs and no simultaneous access via the same password/user ID is permitted. To reprint, translate, or use the data or information other than as provided herein, contact Client Services, 55 Water Street, New York, NY 10041; (1)212.438.7280 or by e-mail to: research_request@standardandpoors.com.